

**Welland Hydro-Electric Systems Corp.
2012 Smart Meter Cost Recovery
EB-2011-0415**

Board staff Interrogatories

General

1. Letters of Comment

Following publication of the Notice of Application, the Board has, to date, received no letters of comment. Please confirm whether Welland Hydro-Electric Systems Corp. ("Welland") has received any letters of comment. If so, please file a copy of any letters of comment. For each, please confirm whether a reply was sent from Welland to the author of the letter. If confirmed, please file that reply with the Board. Please ensure that the author's contact information except for the name is redacted. If not confirmed, please explain why a response was not sent and confirm if Welland intends to respond.

Stranded Meters

2. Ref: Application, page 7

In its Application, Welland proposes that the recovery of stranded conventional meters be dealt with in its next cost of service application, currently scheduled for 2013 rates. Until then, the NBV of the stranded meters remains in rate base and the annualized costs are recovered in its normal distribution rates.

Welland documents that the NBV of stranded conventional meters as of December 31, 2010 was \$639,926, including net salvage proceeds of \$3,564. Welland documents the 2011 depreciation expense for these meters as \$80.453, for a December 31, 2011 NBV of \$559,473.

- a) Please provide Welland's estimate of the depreciation expense related to these stranded meters for 2012 and the estimated NBV for the stranded conventional meters as of December 31, 2012.
- b) Please provide the estimated NBV of stranded conventional meters as of December 31, 2012, disaggregated by Residential and GS < 50 kW customer classes.

Conversion to Monthly Billing

3. Application, page 10

On page 10 of its Application, Welland states that it was required to switch to monthly billing, from bi-monthly billing, for residential customers. It documents \$60,079 as increased expenses for increased invoices, envelopes, toner and delivery (i.e. postage) costs from this switch, plus an increase in staffing with an expense amount of \$60,921. Offsetting this, Welland states that manual meter reading costs will decrease by \$84,039 for 2012 compared to 2010. Welland thus states an increase in internal costs of \$36,961 for 2012.

- a) Please provide Welland's views as to whether the change to monthly billing will result in a decrease in bad debt expense. If possible, please provide an estimate of bad debt expense for 2012 under monthly billing for all customer classes.
- b) Converting from bi-monthly billing to monthly billing significantly reduces the service lag (the mid-point of the service delivery period until meter reading from over 30 days to just over 15 days).
 - i. Please provide Welland's views as to the impacts on its cash working capital requirements for 2012 based on converting to monthly billing for residential customers.
 - ii. Is Welland conducting or planning on conducting a lead-lag study for its next cost of service application to take into account the impacts of converting to monthly billing?
 - iii. If the answer to ii. is no, please explain how Welland intends to account for the impact of the conversion to monthly billing on its cash working capital requirements in its next cost of service application.

4. Ref: Application, page 10

On page 10 of its application, Welland states:

General Service meters will be read manually until the end of 2011. In 2012, all meter readings will be obtained thru the AMI/ODS at no additional costs. This will result in decreased meter reading costs of (\$84,039) in 2012 compared to 2010.

- a) By General Service, is Welland referring solely to GS < 50 kW customers for which smart meters have been installed, or does it include GS > 50 kW customers?
- b) If meter reading through the AMI/ODS is for classes other than Residential and GS < 50 kW, please indicate whether any capital or operating costs have

been allocated to these other classes. Please provide explanations and calculations, as necessary.

- c) If, in the response to b), Welland indicates that it has incurred costs for interval meters in the GS > 50 kW customer classes to interface with the AMI/ODS, please explain how Welland has recovered or is proposing to recover these costs.

Smart Meter Model

5. Ref: Smart Meter Model – Interest on OM&A and Depreciation Expenses

In its Smart Meter model, on Sheet 8, Welland has input the prescribed interest rate of 1.47% for all months in 2012. This has resulted in a calculation of the interest on SMFA revenues to December 31, 2012. However, Welland's proposal is for the SMDR and SMIRR to be effective May 1, 2012.

Board staff has revised the model inputs so that interest on SMFA revenues is calculated only to April 30, 2012. The revised model is provided as an attachment.

Please provide Welland's views as to whether this is a more accurate calculation of the deferred net incremental revenue requirement to be recovered through the SMDR with respect to installed smart meters.

6. Ref: Smart Meter Model – Interest on OM&A and Depreciation Expenses

In the Smart Meter Model Version 2.17 filed by Welland, the utility has relied upon sheet 8B to calculate the interest on OM&A and depreciation/amortization expenses. Sheet 8B calculates the interest based on the average annual balance of deferred OM&A and depreciation/amortization expenses based on the annual amounts input elsewhere in the model.

The more accurate and preferred method for calculating the interest on OM&A and depreciation/amortization expense is to input the monthly amounts from the sub-account details of Account 1556, using sheet 8A of the model. This approach is analogous to the calculation of interest on SMFA revenues on sheet 8 of the model.

- a) Please re-file the smart meter model using the monthly OM&A and depreciation/amortization expense data from Account 1556 records. Welland should also take into account any revisions necessary, such as in its response to the preceding interrogatory.
- b) If this is not possible, please explain.

7. Ref: Smart Meter Model – Taxes/PILs Rates

Welland has overridden the maximum taxes/PILs rates input on sheet 3, row 40, for the years 2009, 2010, 2011 and 2012 and beyond. These are summarized in the following table:

Year	2009	2010	2011	2012 and beyond
Aggregate Federal and provincial income tax rate	29.02%	27.50%	24.24%	22.72%

Please confirm that these are the tax rates corresponding to the taxes or PILs actually paid by Welland in each of the historical years, and that Welland forecasts it will pay for 2012. In the alternative, please explain the tax rates input and their derivation.

Cost Allocation

8. Ref: Manager's Summary, pages 12-14 – Cost Allocation

Welland states that it is proposing a uniform SMDR of (\$0.24) per month and a uniform SMIRR of \$2.34 per month, both applicable to Residential and GS < 50 kW customers. Under cost allocation, Welland has calculated class-specific SMDRs and SMIRRs, based on using the weights from the 2006 Informational Filing and also using costs for meters installed for each of the Residential and GS < 50 kW classes.

Welland also documents that, due largely to increased costs for certain factors, the average cost for a Residential smart meter installation has been about \$127.77 versus \$267.88 for an average GS <50 kW smart meter.

Given the evidence that the average installed cost for a smart meter for a GS < 50 kW customer is more than double that for a Residential customer, please provide Welland's reasons for why it considers that a uniform SMDR and a uniform SMIRR is preferable to one that reflects differences in the average costs. For this response, please consider the cost allocation methodology to be the one proposed by Welland based on the average smart meter costs (i.e., as shown in Appendix H for the class-specific SMDR and in Appendix F Part A for the class-specific SMIRR).

9. Ref: Manager's Summary, pages 12-14, Appendices F and H – Cost Allocation

- a) If Welland has made revisions to its Smart Meter Model, Version 2.17 as a result of its responses to interrogatories, please update also Appendix H with respect to class-specific SMDRs.
- b) Similarly, please update Appendix F Part A with respect to the calculation of class-specific SMIRRs.

Other Issues

10. Ref: Application, page 1

Welland notes that the bulk of its smart meters were deployed by October 31, 2011, with complete deployment by December 31, 2011. Welland is also scheduled to implement TOU billing effective February 2012.

- a) Please confirm whether Welland has implemented TOU billing effective February 2012. In the alternative, please advise of the changed schedule and the reasons for the revision.
- b) Please provide a synopsis of technological and operational challenges and issues (e.g., intermittent or persistent read failures, incidence of “buddy” meters to solve unreadable meters, additional or relocated collectors, manual adjustment of meter read data, etc.) that Welland and its service provider encountered in Welland’s smart meter deployment and operationalization. Please also summarize the resolution of these issues.
- c) Please provide Welland’s assessment as to whether operational issues are resolved or resolvable so that all applicable Residential and GS < 50 kW customers can successfully move to TOU billing for February 2012. In the alternative, please explain.